



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2202 (1951)

December 11, 1990

SUBJECT: Updating DALR\$ Information For Closing of Write
Downs and Net Recovery Buyouts Processed
Under FmHA Instruction 1951-S

TO: State Directors, District Directors, and
County Supervisors

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) clarifies guidance to the field offices for determining the correct interest rate and effective closing dates on restructured Farmer Programs (FP) loans. This AN is to assist field offices in the correct calculations of debt write down and net recovery buyout when the net recovery value constants have changed, the closing was delayed because of appeals or unforeseen circumstances, and/or the net recovery input information has changed from the original Debt and Loan Restructuring System (DALR\$) calculations.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 2102(1951) dated June 14, 1990.

IMPLEMENTATION RESPONSIBILITIES:

1. The Consolidated Farm and Rural Development Act (CONACT) requires that on the date the borrower's restructured loan is closed, the interest rate on the balance of the original loan is the lower of (1) the rate of interest on the original loan or (2) the rate being charged by the Secretary for loans of the same type at the time of the deferral, consolidation, rescheduling, or reamortization. The rate being charged by the Secretary is the current interest rate in effect as set forth in FmHA Instruction 440.1. The existing interest rate on the existing loan will be input into the DALR\$, but DALR\$ will select the lower of the original note interest rate or the regular loan program interest rate which will be in effect on the proposed effective date.

Expiration Date: December 31, 1991

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-S



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Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

The original interest rate on a previously consolidated rescheduled/reamortized loan is the lowest interest rate in the original group of consolidated loans.

The original interest rate for limited resource loans is the initial interest rate of the limited resource loan with no automatic increase.

2. At the time of DALR\$ approval, the State Director must add the following statement on the DALR\$ printout to satisfy any additional write down that may occur from the time of approval to closing. This statement is only necessary where a write down will be authorized. Such cases will not have to be resubmitted to the State Director for approval of additional write down before closing. This paragraph will be included in a future revision of the DALR\$ program.

"Approval of this document includes any additional write down that may accumulate within 90 days from the date of approval due to unforeseen delays in closing."

3. The following paragraph is to be added to Exhibit F, "Notification of Offer to Restructure Debt", and Attachment 5 to Exhibit A, "Notice of Intent to Accelerate or to Continue Acceleration and Notice of Borrowers' Rights," of FmHA Instruction 1951-S.

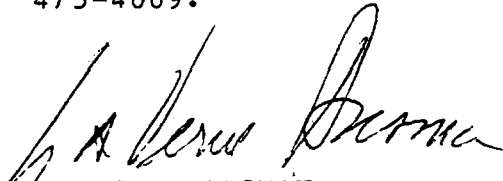
"This offer is based on the Farm and Home Plan, FmHA Form 431-2, signed and dated on _____. This decision is also based on the Debt and Loan Restructuring System (DALR\$) printout with the corresponding interest rates and net recovery value constants as of the proposed restructure date of _____. If the Promissory Note and appropriate security instruments are not signed by the proposed restructure date, the figures for this offer may be different."

4. In cases where WRITE DOWN is authorized, but cannot be closed as projected, the DALR\$ program will need to be run again. THE UPDATED DALR\$ VERSION WITH THE NEW NET RECOVERY VALUE CONSTANTS WILL BE USED WHEN UPDATING FOR CLOSING. THE EFFECTIVE DATE WILL BE THE DATE THAT THE WRITE DOWN TRANSACTION WILL BE CLOSED.

5. In cases where the borrower has requested mediation/voluntary meeting of creditors or an appeal, and the information on the Farm and Home Plan is no longer current, he/she should be contacted and encouraged to update the plan. This will result in any decision made as the result of the meeting/appeal hearing to be based on current information. Another DALR\$ printout should be run to

reflect the revised Farm and Home Plan, using the latest net recovery value constants, and interest rates that correspond with the new proposed restructure date. The old net recovery buyout constants or an old version of DALR\$ will NOT be used to rerun net recovery buyout calculations.

If you have any questions, contact Ann Eggleston of Farmer Programs Loan Servicing and Property Management Division at 475-4009.


LA VERNE AUSMAN
Administrator

Sent by Time Delay Option to States at 9:00 on 12/24/90;
to Districts at 11:00 on 12/24/90; and Counties at
1:00 on 12/24/90 by ASD.